



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Oxley Says Taxpayer Paybacks a "Must Have" in Terrorism Insurance Legislation

House Financial Services Committee Chairman Michael G. Oxley (OH) has called on the Senate to support terrorism insurance legislation that ensures taxpayers will be repaid for any federal assistance to the insurance industry.

The Terrorism Risk Protection Act, introduced last month by Oxley, Capital Markets Subcommittee Chairman Richard H. Baker (LA) and cosponsored by 34 other Members of Congress, was approved by the House Nov. 29. H.R. 3210 addresses the pending insurance crisis while protecting taxpayers, policyholders and insurers.

The following article reports on a speech Oxley made this weekend to the National Association of Insurance Commissioners in Chicago.

Best Wire Services

Oxley Hopes to Settle Terror Insurance Issue, Get Back to Other Business

CHICAGO DECEMBER 10 (Bestwire)- Rep. Michael Oxley is waiting for the Senate to act on a terrorism reinsurance bill so that Congress can get one passed and his House Financial Services Committee can get back to examining improvements to state-based insurance regulation.

The Ohio Republican, who chairs the Financial Services Committee, told the National Association of Insurance Commissions at its gathering in Chicago that he was hopeful the Senate "will get its act together quickly," and he was concerned, even a month ago, that many in both the House and Senate didn't understand the urgency of providing a federal backstop for terrorism reinsurance.

It was Oxley's committee that first heard property/casualty insurers plead for a federal safety net, telling committee members that reinsurers were no longer willing to provide coverage for terrorism after the Sept. 11 attacks.

Oxley held several hearings on the reinsurance problem, which included testimony from other affected industries such as banking and real estate.

"Doing nothing was not an option," he said. Even through the anthrax scare that emptied House and Senate office buildings in Washington, D.C., Oxley's committee got a bill passed very quickly.

"This has a lot more to do with the economy than insurance," said Oxley, one of the founding members of the National Council of Insurance Legislators in the 1970s. Committee members have learned much about the importance of insurance. "It's the glue that holds our economy together. I think all of us have learned this," he said.

The House bill he co-authored would set up a temporary federal program to help pay future terrorism-related losses, because "we didn't want to undermine the benefits of state regulation," he said.

The bill isn't perfect, Oxley said, but the immediate goal is to get the market back by encouraging offshore reinsurers to return. "That industry can't afford to stay out of the largest market in the world," he said, adding that the House bill also encourages U.S. insurers to set aside reserves.

It also requires insurers to pay back any money the federal government spends, which Oxley said is a "must have."

Indications are the Senate is likely to pass something that looks different, requiring the two chambers to convene a conference committee to negotiate one bill.

Oxley said he couldn't comment on what the Senate might do because "they don't have a product yet." He added that he didn't want to say whether the House would agree to a bill without a payback mechanism, because "it's hard to negotiate with myself."

Created at the beginning of the year, the Financial Services Committee developed an agenda that included looking at modernization of state insurance regulation, and it held hearings on issues such as speed to market for new product, agent licensing and why automobile insurers were leaving New Jersey.

Hearings to find out whether the Gramm-Leach-Bliley Financial Services Modernization Act was working were also on the agenda for the fall, but it changed to an "anti-agenda" after Sept. 11, Oxley said--anti-terrorism, anti-money laundering and anti-fraud.

When Congress returns in January, Oxley said, he wants to get the committee back to the "priority" of improvements to state-based insurance regulation, and increasing the

efficiency of the insurance market by focusing on some of the same issues that concern the NAIC, including the effectiveness of Gramm-Leach-Bliley privacy regulations, market conduct and NAIC accreditation.

Discussions about optional federal chartering are also on the horizon, including federal charter proposals by insurance and banking representatives.

A fundamental change such as federal oversight of the industry is a long way off, said Oxley, noting it took "20 long years of active work" to get Gramm-Leach-Bliley passed. But much depends on the progress the states make in modernizing regulations.

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